

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 475 - SB 497

March 3, 2015

SUMMARY OF BILL: Requires an insurance policy that provides prescription drug benefits and coverage to permit and apply a prorated daily cost-sharing rate to prescriptions for less than a 30-day supply for the purpose of synchronizing a patient's medications if the prescriber or pharmacist determines the fill or refill is in the best interest of the patient and the patient agrees to the synchronization. Prohibits the denial of coverage for the dispensing of a chronic medication that is made in accordance with a policy or contract, a practitioner, and a pharmacist for the purpose of synchronizing the filling or refilling of multiple prescriptions for the insured. The pharmacy is authorized to override any denial codes indicating that a prescription is being refilled too soon for the purposes of medication synchronization.

Prohibits a policy from using payment structures incorporating prorated dispensing fees. Dispensing fees for partially filled or refilled prescriptions are to be paid in full for each prescription dispensed, regardless of any prorated copayment for the beneficiary or fee paid for alignment services. Requires any dispensing fees related to medication synchronization to be determined exclusively on the total number of prescriptions dispensed.

Requires the Bureau of TennCare to permit synchronization of prescription refills for the treatment of chronic illness that is made according to a plan among the enrollee, a provider, and a pharmacist to synchronize the refilling of multiple prescriptions for the enrollee.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$5,246,000/FY15-16

\$4,500,300/FY16-17 and Subsequent Years

Increase Federal Expenditures - \$9,757,600/FY15-16

\$8,370,600/FY16-17 and Subsequent Years

Assumptions:

- Based on information provided by the Department of Commerce and Insurance, enforcement of the proposed legislation will occur during the investigation of provider complaints. Any increase in provider complaints resulting from the legislation will not be significant and can be accommodated within existing resources.
- The Bureau of TennCare will incur dispensing fee costs. Currently, the dispensing fee for brand name drugs is \$2.50 and the dispensing fee for generic drugs is \$3.00.

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- For purposes of this impact, the Bureau of TennCare was able to identify 214,191 enrollees that could be impacted by the proposed legislation with 732,758 possible synchronization refill claims. The claims were then classified as brand or generic and the total cost for the initial set-up is estimated to be \$2,132,754.
- For annual costs, the Bureau of TennCare reviewed new prescriptions written for enrollees. Claims and enrollees for the third quarter of 2014 were compared to the same enrollees in the fourth quarter of 2014 to find new prescriptions that the enrollees had filled. Enrollees who were found in the fourth quarter and not in the third quarter were excluded from the findings.
- TennCare found 1,191,751 new prescriptions in the fourth quarter for enrollees present in the third quarter. Additional dispensing fees attributable to these prescriptions for purposes of synchronizing with the enrollees other medications equaled \$3,217,727 for one quarter. Annualized, the recurring costs are estimated to be \$12,870,908 (\$3,217,727 x 4 quarters).
- The total increase in expenditures for the TennCare program in FY15-16 is estimated to be \$15,003,662 (\$2,132,754 + \$12,870,908). Of this amount, \$5,246,030 will be state funds at a rate of 34.965 percent and \$9,757,632 in federal funds at a 65.035 percent match rate.
- The total increase in expenditures for the TennCare program in FY16-17 and subsequent years will be \$12,870,908. Of this amount, \$4,500,313 will be state funds at a rate of 34.965 percent and \$8,370,595 in federal funds at a 65.035 percent match rate.
- Based on information provided by the Division of Benefits Administration, a sample of public sector sponsored health plans from October 2014 identified 53,419 members with more than one script that averaged less than 30 days per script and would be eligible for synchronization with the members' other medications. Those 53,419 employees paid approximately \$496,158 in copayments for these prescriptions. The Division assumes that a portion of the prorated copayments charged to employees choosing synchronization could be shifted to the plan, but an amount of shift is unknown.
- There could also be administrative costs incurred by the current contracted vendor for pharmacy benefits to the public sector sponsored health plans to make changes to their current systems. It is unknown to what extent these additional costs to the vendor will impact the current contract.

IMPACT TO COMMERCE:

Other Business Impact – Due to a number of unknown factors, the exact impact to commerce cannot be reasonably quantified.

Assumptions:

- It is unknown how many individuals the proposed legislation will impact statewide.
- It is assumed that pharmacies and pharmacy benefit insurance plans have sufficient co-payments and dispensing fees established to cover the costs incurred for providing pharmacy services to individuals.

- The additional dispensing fees, including the \$15,003,700 in FY15-16 and \$12,870,900 in FY16-17 and subsequent years through the TennCare program, will sufficiently cover the additional costs incurred by pharmacies for synchronizing customers' medications.
- The prorated copayments and claims will cover the costs of the medications.
- There will be additional administrative costs incurred for pharmacies and benefit plans to modify payment systems, structures, and authorization procedures to allow for the synchronization of medications.
- While these additional administrative costs are unknown, it is reasonably estimated that those costs will be shifted to the customers in some manner in order for the entities to remain solvent.
- Due to a number of unknown factors, including the number of individuals who will be impacted; the number of medications that will be synchronized; the specific dispensing fees and payment structures agreed to between the pharmacies and pharmacy benefit plans; and the administrative costs incurred by the pharmacies and plans resulting from necessary changes to allow for the synchronization of medications, the exact impact to commerce is indeterminable.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding", written in a cursive style.

Jeffrey L. Spalding, Executive Director

/kml